United Nations A/64/531

General Assembly

Distr.: General
13 November 2009

Original: English

**Sixty-fourth session**
Agenda items 131 and 146

**Programme budget for the biennium 2008-2009**

**Administration and budgetary aspects of the financing of the United Nations peacekeeping operations**

# Second progress report of the Secretary-General on the adoption of International Public Sector Accounting Standards by the United Nations

## Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the second progress report of the Secretary-General on the adoption of International Public Sector Accounting Standards by the United Nations (A/64/355). During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information and clarification.

2. The background of the project is provided in section I of the Secretary-General's report. As indicated, in November 2005, the High-level Committee on Management of the Chief Executives Board for Coordination recommended that all United Nations system organizations adopt the International Public Sector Accounting Standards (IPSAS), effective no later than 2010. By its resolution 60/283, the General Assembly approved the adoption by the United Nations of the International Public Sector Accounting Standards, as well as the resources requested to begin the process of implementation. The Secretary-General provided updates on the adoption of IPSAS in his report on the progress and impact assessment of management improvement measures (A/62/69) and in his first progress report (A/62/806). The Advisory Committee commented on the issue in its report on the financial reports and audited financial statements and reports of the Board of Auditors for the period ended 31 December 2007 (A/63/474, paras. 20-23) and in its report on the first progress report (A/63/496). In his second progress report, the Secretary-General provides an update on progress made towards the implementation of IPSAS during the period from 1 April 2008 to 31 July 2009 by the United Nations system as a whole and within the United Nations itself.

09-60721 (E) 171109

Please recycle

**United Nations system-wide IPSAS adoption project**

3. In March 2006, the High-level Committee on Management approved a jointly funded system-wide project to support a harmonized framework of IPSAS-compliant policies, provide guidance and support and achieve economies in addressing common implementation issues. As indicated by the Secretary-General, the system-wide strategy for IPSAS implementation has two aspects: a phased approach to implementation and a two-level approach to resources. The phased implementation strategy recognized that some United Nations system organizations were at a more advanced stage of readiness for IPSAS adoption than others and were targeting implementation effective 2008, while the majority of the organizations would benefit from lessons learned and were targeting IPSAS adoption effective 2010 or as soon as possible thereafter. The two-level approach involves providing implementation resources at the system-wide level and at the individual organization level: harmonized IPSAS accounting policies and guidance are developed through a consultative process at the system-wide level, whereas each entity is responsible for establishing its own project team and dedicating sufficient resources to ensuring the implementation of IPSAS.

4. In paragraphs 9 to 11 of his report, the Secretary-General provides information on the governance, organization and budget of the system-wide IPSAS adoption project. He indicates that the main development since the previous progress report has been the decision of the High-level Committee on Management to approve the continuance of system-wide support for the project for the period 2010-2011, but at a reduced level of expenditure, which would decrease from $2.332 million in 2008-2009 to $1.131 million. The staffing of the project team would be reduced from the current level of five Professional-level (general temporary assistance) staff to three Professional-level staff (1 P-5 team leader and 2 P-4 financial analysts) and one part-time assistant at the General Service level. The Advisory Committee notes that responsibility for the activities related to IPSAS training were transferred to the United Nations IPSAS Implementation Project Team in October 2008, in anticipation of the reductions in system-wide IPSAS team resources (A/64/355, para. 41; see also para. 10 below).

5. The major activities accomplished by the system-wide project team during the reporting period are outlined in paragraphs 12 to 19 of the Secretary-General's report. The Committee notes that the activities of the system-wide project team remained focused on developing IPSAS-compliant harmonized accounting policies and guidance; providing input into the development of new standards issued by the International Public Sector Accounting Standards Board; representing United Nations system issues to the Board and communicating Board developments to the Task Force on Accounting Standards. A system-wide approach to training, including a training strategy and training materials, has been completed, in collaboration with the United Nations IPSAS Implementation Project Team (see paras. 10 and 11 below). The Secretary-General indicates that, with the completion of these activities, the bulk of the outstanding work is related to project roll-out activities.

6. The Advisory Committee notes that the World Food Programme (WFP) transitioned to IPSAS effective 1 January 2008, thereby becoming the first IPSAS adopter within the United Nations system. The Committee further notes that WFP issued its first set of IPSAS-compliant financial statements for the year ended 31 December 2008, which received an unqualified audit opinion from the external

auditor. **The Committee considers this development to be an important milestone in the United Nations system-wide IPSAS adoption project and welcomes the efforts of WFP in this regard. It emphasizes the role of the system-wide Steering Committee and project team in drawing lessons learned from the experience of early adopters and in disseminating such information to the other entities of the United Nations system.**

7. Concerning overall IPSAS implementation readiness for 2010 (A/64/255, paras. 23 and 24), the Secretary-General notes that for an organization to adopt IPSAS effective 2010, all policies, procedures and systems need to be ready by 1 January 2010. Furthermore, because of the time needed to make changes to policies, procedures and systems, most organizations would need to have completed key implementation steps, such as budget approval, the development of detailed project plans and an assessment of necessary information system changes, a minimum of two years before their target date, that is, no later than by January 2008. Ten organizations reported that they were continuing to target implementation in 2010, but others have deferred IPSAS adoption until 2011-2012. As indicated in paragraph 24 of the report, during 2008 concerns were raised about certain entities and their readiness for IPSAS adoption in 2010, as it became clear that they had not completed some of the requisite steps. The implementation steps that must be completed before December 2009 in order for 2012 implementation to proceed without major risks are set out in paragraph 28 of the report of the Secretary-General. A list of the United Nations organizations and their IPSAS implementation targets is provided in annex III to the report. **The Advisory Committee stresses the key role of the system-wide Steering Committee and project team in sharing information, supporting the participating organizations through all phases of their projects, providing guidance on implementation requirements and project planning and monitoring implementation progress. The Committee also emphasizes the role of the system-wide function in developing harmonized system-wide accounting policies and guidance, ensuring consistent application and interpretation of those policies across the system and advising organizations on the amendments required to align their financial regulations and rules for IPSAS.**

**United Nations IPSAS adoption project**

8. The United Nations strategy is to integrate IPSAS adoption into the replacement of its existing information technology systems which cannot meet the requirements of IPSAS without extensive adaptation. The IPSAS implementation timetable must therefore be synchronized with the introduction of the new enterprise resource planning system. As indicated, the implementation strategy of the enterprise resource planning project has been modified in recent months (see A/64/380). Under the recommended "pilot first" strategy, Organization-wide deployment of the enterprise resource planning system is projected by the third quarter of 2013. The Secretary-General indicates that the issuance of the first full set of IPSAS-compliant financial statements is now targeted for the year ending 31 December 2014 and will remain subject to the successful and timely implementation of the enterprise resource planning project.

9. The Advisory Committee notes that the governance of the IPSAS implementation project has been strengthened, with an expanded role and membership of the United Nations IPSAS Steering Committee, ensuring the

engagement of field offices and the synchronization of the IPSAS project with the enterprise resource planning project. **The Committee welcomes this development.**

10. In addition, the United Nations IPSAS Implementation Project Team, established in April 2007 with a staffing component of five staff members (1 P-5 (Project Team Leader), 2 P-4, 1 P-3 and 1 General Service (Other level)) is to be strengthened with three additional team members at the Professional level in anticipation of an increase in the pace of IPSAS implementation activities in conjunction with the enterprise resource planning project. Upon enquiry, the Advisory Committee was informed that the IPSAS requirements for the biennium 2010-2011 are to be apportioned among the various sources according to the cost-sharing formula applied in the context of the enterprise resource planning project, namely, 15 per cent from the regular budget, 62 per cent from the support account for peacekeeping operations and 23 per cent from the special accounts for programme support costs.[1] The main tasks of the United Nations IPSAS Implementation Project Team are listed in paragraph 39 of the Secretary-General's report.

11. The Secretary-General indicates that one of the major achievements of the United Nations IPSAS Implementation Project Team during the reporting period was the development of training products to support IPSAS implementation across the United Nations system. Seven computer-based training courses have been developed and deployed to United Nations organizations, and another 11 instructor-led training courses are now in the final stages of completion. He also indicates that significant progress has been made in preparing for formal training on IPSAS and that a preliminary IPSAS training plan for the period 2010-2011 has been developed. The system-wide approach is outlined in paragraph 19 of the Secretary-General's report.

12. The Secretary-General states that a broad segment of United Nations staff require IPSAS training, distinguishing between awareness training and conceptual training. Awareness training will be delivered primarily by means of a computer-based training course entitled "Orientation to IPSAS", which sets out the purpose, challenges and benefits of the adoption of IPSAS at the United Nations, targeting some 3,500 staff worldwide. The Secretary-General views awareness training as a key component of the overall change-management process. Conceptual training is to be delivered through both computer-based and instructor-led training courses. Computer-based conceptual training will be widely available to all staff, while instructor-led training primarily targets specialized staff in finance and related areas. In paragraphs 70 to 72 of his report, the Secretary-General provides further details on the training plan, including the time frame, the trainers and the number and location of workshops. **The Advisory Committee notes that the transition to IPSAS represents a major effort in terms of training and change management. It emphasizes the need to keep the training plan under review and to adjust requirements in the light of experience and lessons learned so as to ensure the most efficient utilization of resources. The Committee further requests the**

[1] Overhead income generated by expenditures relating to technical cooperation, general trust funds and reimbursement for administrative support provided by the Organization to extrabudgetary entities, such as the United Nations Development Programme and the United Nations Children's Fund, is credited to the special accounts for programme support costs.

**Secretary-General to ensure close coordination between the enterprise resource planning project and the IPSAS project teams in this regard.**

13. With respect to the IPSAS requirement for the presentation of consolidated financial statements for reporting entities and their controlled entities (see A/64/355, para. 45), the Advisory Committee notes that the United Nations IPSAS Implementation Project Team has initiated a project to further consider whether there is a requirement for the United Nations to present such consolidated financial statements under IPSAS. Some of the complexities underpinning the requirement are set out in paragraph 46 of the report. The Secretary-General intends to pursue an examination of this issue, in consultation with the Office of Legal Affairs and the funds and programmes, and to report to the General Assembly at a later date. **The Committee encourages the Secretary-General to pursue his examination of the IPSAS requirement for consolidated statements and its applicability and/or application to the United Nations system. It looks forward to the outcome of that examination.**

14. An update on the status of expenditures is provided in paragraphs 74 and 75 of the report. The estimated requirements for the biennium 2010-2011 would increase significantly, to an amount of $9,855,200. This overall amount comprises $3,655,100 under the regular budget, $4,278,200 under the support account for peacekeeping operations and $1,921,900 from the special accounts for programme support costs.[1] The Advisory Committee notes that the increased expenditures projected for 2010-2011 are largely related to activities in the areas of data preparation, consultancy services and IPSAS-related training that were postponed from the biennium 2008-2009 in order to ensure synchronization with the activities of the enterprise resource planning project.

15. Overall expenditures for the current biennium are projected at $2,249,900 as at 31 July 2009, including $1,733,300 and $516,600 under the regular budget and support account for peacekeeping operations, respectively. Upon enquiry, the Committee was provided with the updated status of expenditures as at 30 September 2009, which is shown in the table below.

**Status of expenditures as at 30 September 2009 relating to the adoption of the International Public Sector Accounting Standards at the United Nations**

(Thousands of United States dollars)

| *Object of expenditure* | *2008-2009 expenditures up to 30 September 2009* |
|---|---|
| **Regular budget** | |
| Posts | 1 121.8 |
| General temporary assistance | — |
| Consultants | — |
| Travel of staff | 27.5 |
| Contractual services | 0.3 |
| General operating expenses | 1.1 |
| Supplies and materials | 1.2 |

| *Object of expenditure* | *2008-2009 expenditures up to 30 September 2009* |
|---|---|
| Section 28B, Office of Programme Planning, Budget and Accounts | 1 151.9 |
| Section 31, Jointly financed activities | 732.2 |
| **Subtotal** | **1 884.1** |
| Support account for peacekeeping operations | 516.6 |
| **Total** | **2 400.7** |

16. **The Advisory Committee recommends that the General Assembly take note of the Secretary-General's report.**